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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001495

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SUBJECT: ANTI-CORRUPTION EFFORTS IN IRAQ: UPDATE BY UN
OFFICIAL

REF: BAGHDAD 828

Classified By: ACCO Joseph Stafford, reason 1.4 (b and d)

SUMMARY

11. (C) UNODC official provided update on the GOI's request to join the Stolen Asset Recovery (StAR) Initiative, highlighting the late May UNODC/World Bank conference here to familiarize GOI stakeholders with the Initiative. The UNODC official also noted the GOI's growing interest in strengthening its anti-money laundering (AML) capacity; The Embassy's Treasury Attache Office recently conducted an AML workshop, and Iraq's Central Bank has agreed to a visit, tentatively scheduled for late July, by a State-led Financial Sector Assessment Team. The UNODC official rated Iraq's anti-corruption institutions as "middle of the pack" worldwide. The GOI's evident eagerness to move forward on the StAR Initiative is good news, as is its concern to strengthen its AML capabilities. Action request in para 9.
END SUMMARY.

STOLEN ASSET RECOVERY (StAR) INITIATIVE

12. (U) Reftel reported the GOI's formal request March 17 to the UN Office of Drugs and Crime (UNODC) to join the StAR Initiative, a joint effort by UNODC and the World Bank. This initiative, unveiled in 2007, is aimed at strengthening developing countries' capability to recover public assets lost through criminal activities -- corruption, tax evasion, etc. -- and transferred overseas. The initiative, involving implementation of relevant provisions of the United Nations Convention Against Corruption (UNCAC), envisages a pilot program of legal and technical assistance for developing countries in such areas as investigation, tracing, prosecution, and repatriation of assets.

UPDATE BY UN OFFICIAL

13. (SBU) In recent meeting with ACCO, visiting UNODC official Erik Larson provided an update on the GOI's involvement in the StAR Initiative. He stated that, to follow up on the GOI's request to join the StAR initiative, he and World Bank official Heba Shams had conducted a several-day conference to familiarize key Iraqi stakeholders with the StAR Initiative. He described the event as well-attended, with GOI participants including officials from, inter alia, Iraq's lead anti-corruption agency, the Commission on Integrity (COI), the Interior Ministry (MOI), and the Central Bank (CBI). According to Larson, the Iraqi attendees made clear their desire for an extensive program of technical and other assistance so as to develop their capacity to recover the estimated billions of dollars that corrupt Iraqi officials have shipped abroad, both during and after Saddam's regime. The UNODC official indicated that, in the aftermath of the

conference, his headquarters and the World Bank would look into possible follow-up assistance efforts.

14. (SBU) Larson stated that the GOI was still awaiting word on its acceptance into the StAR Initiative. While he added that he foresaw no problem in the GOI's being accepted, he nonetheless requested that the USG weigh in on Iraq's behalf; he asked, in particular, that we approach the World Bank's StAR Initiative Secretariat in Washington. ACCO undertook to relay the request to Washington.

INCREASED FOCUS ON ANTI-MONEY LAUNDERING

15. (C) UNODC official Larson indicated that, besides the specific focus on the StAR Initiative, the conference had also covered the anti-money laundering (AML) dossier. Noting that AML efforts were a crucial element of any country's anti-corruption regime, he remarked approvingly that, unlike past AML-related gatherings here, the May conference had featured the joint participation of the three vital players mentioned above -- COI, CBI, MOI, and the judiciary. Larson said that in the discussions the GOI participants highlighted the need for greater coordination on AML activities among their respective institutions and with, in particular, the Counter-Terrorism Bureau (an element of the Prime Minister's office), given Iraqi terrorist elements' implication in money-laundering activities as part of their financing operations. Larson said that UNODC would write up the highlights of the AML-related discussions at the conference and forward to COI head Judge Raheem Al-Ugaili to be factored

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into the draft AML legislation he was preparing.

16. (U) Indicative of the GOI's growing interest in strengthening its AML capabilities, we note that the Treasury Attache's office recently held a several-day workshop on AML for COI officials. In May, two CBI officials attended a meeting in Bahrain of the Middle East regional grouping of the Paris-based Financial Action Task Force (MENA/FATF); the GOI had previously been absent from the group's meetings for two years. The CBI has agreed to a visit, tentatively scheduled for late July, by a USG Financial Sector Assessment Team (FSAT) led by State. In the past, the IMF has given AML seminars for the GOI and plans additional sessions. As for the private sector, JP Morgan and CITI have offered AML training.

OVERALL ASSESSMENT OF IRAQ'S ANTI-CORRUPTION INSTITUTIONS

17. (C) As ACCO's conversation with Larson drew to a close, he provided an overall assessment of the capacity of Iraq's principal anti-corruption institutions -- COI, Board of Supreme Audit (similar to GAO), and corps of Inspectors General -- compared to others worldwide, based on his consultations in numerous countries. He judged that Iraq's institutions were "in the middle of the pack;" they had far to go to match the capabilities of western counterparts, but had established themselves to the point that they were at least on par with those in most developing countries, and considerably ahead of some in terms of effectiveness. In the Middle East, he asserted that Jordan's anti-corruption institutions were perhaps the best developed, although he added that in one area -- bringing senior officials to account for corrupt activities -- their record of achievement was thin.

COMMENT

18. (C) The COI's evident eagerness to move forward on the

StAR initiative is a welcome development. The GOI is currently hampered in its efforts at asset recovery by an inadequate legal framework as well as lack of practical experience; the StAR Initiative holds the prospect of offering the GOI much-needed capacity-building assistance. The GOI's growing recognition of the need to strengthen its AML capacity is also good news -- as is its receptivity to assistance from the USG, UN, and others in this area. We have no basis for challenging UNODC official Larson's characterization of Iraq's anti-corruption institutions as "middle of the pack" internationally, but note that Iraq's abysmal 2008 ranking (tied for second as most corrupt) by Transparency International continues to detract from the GOI's progress to date in establishing an effective anti-corruption regime. END COMMENT

ACTION REQUEST FOR DEPARTMENT

19. (SBU) We fully share UNODC official Larson's view that the GOI's request to join the StAR Initiative is worthy of support, and, accordingly, we request that the Department weigh in on Iraq's behalf with the World Bank's StAR Initiative Secretariat.

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